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Department of Natural Resources
DIVISION OF MINES AND MINERALS

P. O. Box 1391
Juneau, Alaska

MINES AND PETROLEUM BULLETIN

May, 1965

MINING ACTIVITIES

Bids Requested for Mine-Mouth Plant - The Golden Valley Electric Association has called for bids on preparing the site of a mine-mouth steam electric generating plant near Healy. The plant will be known as Healy Power Plant, Unit No. 1. Work involved includes clearing and grading of a 10 acre site, road construction, 900 feet of railroad siding, parking facilities, and all work necessary to prepare for setting plant foundations.

Coal Contracts Awarded - (from Senator Gruening's Weekly Newsletter) - The Defense Fuel Supply Center this week awarded a \$1,143,007 contract to the Usibelli Coal Mine, Inc., of Fairbanks to supply 192750 tons of coal in the fiscal year beginning next July 1 to Eielson Air Force Base (66,500 tons), Fort Wainwright (91,250 tons) and Clear (35,000 tons).

Earlier the Defense Fuel Supply Center had awarded a \$1,137,225 contract to Vitro, Inc., to supply exactly the same amount of coal, distributed in the same way to the three Fairbanks area military bases. It was explained that while Vitro at \$5.90 per ton was the low bidder originally for the contract to supply total coal requirements of 385,500 tons, the contract was subject to a small business set-aside which enabled Usibelli to handle half of the contract if it chose to meet the Vitro price.

Defense Department officials explained that the total price paid each supplier is slightly different with Usibelli to be paid \$5.93 per ton, which because of a variance in the quality of the coal works out at exactly the same number of BTUs per penny. The price being paid for coal under the contract this year is \$6.05 per ton.

OIL NEWS

Drilling Activity

<u>Operator</u>	<u>Well Name & Number</u>	<u>Status 4/26/65</u>
Standard Oil Co. of Calif.	Birch Hill Unit #22-25	Drilling
Humble Oil & Refining Company	Tyonek Reserve #1	Abandoning
Shell Oil Company	M.G.S. A1-3	Drilling
Shell Oil Company	S.R.S. State #1	Anchoring Up
Mobil Oil Company	Granite Point #1	Drilling
Wallace Mining Company	Wallace-Knutson #1	Drilling
Pan American Petroleum Corp.	West Foreland Unit #1	Drilling

Drilling Activity - Continued

Mobil-Atlantic	Moquawkie #1	Building Road
Union Oil Co. of Calif.	Trading Bay #1	Moving In
Union Oil Co. of Calif.	Kenai Unit #14-4	Moving In
Union Oil Co. of Calif.	Kenai Unit #33-32	Moving In
Union Oil Co. of Calif.	Kenai Unit 21-6	Location

Production, Swanson River Field, Hemlock Zone:

	<u>Producing Wells</u>	<u>Oil Barrels</u>	<u>Gas (MCF)</u>
March 1965	53	940,920	279,010
Cumulative to April 1, 1965		41,894,048	9,951,221

Production, Kenai Gas Field:

March 1965	3		399,553
Cumulative to April 1, 1965			10,754,961

Production, Sterling Gas Field:

March, 1965	1		9,286
Cumulative to April 1, 1965			156,294

Production, Swanson River Field, Kenai Zone:

March 1965	3		233,168
Cumulative to April 1, 1965			9,343,338

Gas Injection, Swanson River Field, Hemlock Zone:

March 1965	3		389,707
Cumulative to April 1, 1965			13,107,020

Eight Drilling Permits Approved During Month: The month of April broke all records for well permits approved. They are described as follows:

Shell Oil Company - S.R.S. - M.G.S. State A1-3 - 1640' N & 401' W of SE corner, section 11, T8N-R13W, S.M.

Union Oil Company of California - Trading Bay Unit 1 State - 1980' S of N line & 1980' W of E line, Section 11, T9N-R13W, S.M.

Union Oil Company of California - Kenai Unit #21-6 - Surface location: 515' due north and 2089' due west from southeast corner Sec. 31, T5N, R11W, S.M. Bottom hole location: 485' due south and 1880' due east from the northwest corner Sec. 6, T4N, R11W, S.M.

Union Oil Company of California - Kenai Unit #33-32 - Surface location: 1952' due north and 1152' due west from the southeast corner Sec. 32

T5N-R11W, S.M. Bottom hole location: Approximately 2352' due north and 2642' due west from the southeast corner Sec. 32, T5N, R11W, S.M.

Union Oil Company of California - Kenai Unit #43-7 - Surface location: 404' south and 4231' east from the NW corner Sec. 7, T4N, R11W, S.M. Bottom hole location: 3264' south and 4231' east from the NW corner Sec. 7, T4N, R11W, S.M.

Union Oil Company of California - Kenai Unit #11-7 - Surface location: 378' north and 992' east from the SW corner of Sec. 6, T4N-R11W, S.M. Bottom hole location: 392' south and 992' east from the NW corner of Sec. 7, T4N-R11W, S.M.

Union Oil Company of California - Kenai Unit #43-6 - Surface location: 205' south and 4231' east from the NW corner Sec. 7, T4N-R11W, S.M. Bottom Hole location: Approximately 2655' north and 4231' east from the SW corner Sec. 6, T4N-R11W, S.M.

Union Oil Company of California - Kenai Unit #21-7 - Surface location: 362' north and 1024' east from the SW corner Sec. 6, T4N-R11W, S.M. Bottom hole location: 145' south and 1721' east from the NW corner Sec. 7, T4N-R11W, S.M.

The first two locations listed above are offshore operations on State-owned leases. The remainder are development wells in the Kenai Unit, and will be drilled this summer with a two-rig program.

Union Well Spacing Exception Request - As no protest was received, no hearing was held on the petition of Union Oil Company to drill the above listed wells on 320 acre spacing. After consideration of the matter, the Oil and Gas Conservation Committee issued Order #16 temporarily allowing 320 acre spacing for a maximum of 18 months. At the end of this period a hearing will be held to determine whether or not this spacing pattern should be made permanent.

Public Hearing Held - A public hearing to consider proposed regulations governing shallow offshore coring and drilling was held April 22 in Anchorage. No testimony was given. The Western Oil and Gas Association requested that the hearing be postponed to give the Association more time to prepare their position. After determining that no exploration work would thus be delayed, James A. Williams, Director of the Division of Mines and Minerals, postponed the hearing tentatively until July 13, 1965. It is planned that the continued hearing will coincide closely with the next competitive oil and gas lease sale.

State Oil Lease Sale Planned for July - The State is tentatively scheduling a competitive oil and gas lease sale for July 14. Land being considered for sale includes about 750,000 acres along the coast of the Arctic Slope and north of the Brooks Range. Nominations of land requested by the oil industry will be considered for the July sale. Tract Maps will be available from the Division of Lands about June 1. Contact the Division of Lands, 344 Sixth Avenue, Anchorage, Alaska, for further information.

From Other News Sources - Shell spudded in on the Middle Ground Shoal - State A-1-3 commencing the summer drilling season in the Cook Inlet area. Shell's well is the first to be drilled from their recently constructed permanent platform, a structure from which it is possible to drill up to as many as 32 wells from one surface location.

The production manager for Shell in Alaska said that development of the Middle Ground Shoal structure would take about 2 1/2 years, during which time drilling would take place from the permanent platform continuously, winter and summer.

J. Ray McDermott has been awarded the contract to build the first pipeline from Middle Ground Shoal in Alaska's Cook Inlet to East Foreland. McDermott will lay two eight-inch lines from the East Foreland to Shell, et al's permanent platform seven miles off shore. Work on the pipeline will commence this summer and production is expected by late fall. Two lines are being laid to ensure year-round operations and flexibility for varying types of conditions and operation. Pumps for the pipeline will be placed on the platform.

Marathon Oil Company has made an application to the Alaska Army Engineer District for a permit to build a dock at Port Nikiski on Cook Inlet. The proposed location is about 10 miles north of Kenai on the East Foreland of Kenai Peninsula, south of the existing Standard Oil of California dock at the Nikiski Refinery. Marathon plans to use the dock to load petroleum and natural gas products.

CORRECTION

In last month's Bulletin we explained the new staking law under which only four posts will be required for lode claims instead of seven, and we stated that this new law would be effective May 5. We were wrong on the date. The effective date will be June 4, 90 days after Governor Egan's signing of the bill. We hope no one has been seriously inconvenienced by our error. For further information on the new law, see last month's Bulletin, or write to us.

STANDARD METALS CORPORATION SOLD

Standard Metals Corporation, former operator of the Kendrick Bay Uranium Mine has been sold to eastern investors. The company leased and operated the Kendrick Bay Mine for two years. Because of the stretch out program of the AEC and subsequent loss of contract they were unable to mine this past season. It is reported, however, that there is a good possibility that mine will be able to operate under a new contract in 1966.

OFFSHORE PROSPECTING PERMIT INTEREST HIGH

Thirty-four applications for offshore prospecting permits were received by the Division of Lands during the month of March. More came in during April. Applications for permits were received for the Teller-Tin City

area, Kasaan Peninsula area, and others.

Shell Oil Company partially drilled their offshore permit area off of Nome a year ago and are now in the process of designing a drill capable of completing the drilling and sampling program. The exploration work will continue as soon as possible.

PROSPECTORS ASSISTANCE PROGRAM

Thirty thousand dollars has been appropriated for the continuance of the Prospectors Assistance Program by the Division of Mines and Minerals. Letters have been received from prospectors of other states and Canada indicating that interest is high. Several applications have already been processed. Local prospectors who wish to take advantage of the program are urged to obtain their applications otherwise there may not be sufficient funds for their programs.

Last year about \$38,000 was committed and only \$10,000 used, indicating that several applicants had lost interest and others were unable to find time to carry out their program. Earnest applicants are urged to apply early so that their proposals may be considered. Write to our Juneau office.

NEW PUBLICATIONS

Division of Mines and Minerals, Geochemical Report No. 3, A Geochemical Investigation in the Richardson Area, Big Delta Quadrangle, Alaska, by R.H. Saunders. A report on a geochemical investigation near Richardson, Alaska. Samples of sediment were collected from sand, silt, and gravel in stream beds of Banner, Tenderfoot, and Rosa Creeks.

The samples were field tested and analyzed in the laboratory for copper, lead, zinc, and molybdenum. Two anomalous areas were found that warrant further prospecting. For sale at \$1.00 over the counter at Division of Mines and Minerals offices or by mail from the Division at Box 1391, Juneau, Alaska.

The following two open file reports have just been released by the U.S. Geological Survey: Tertiary Stratigraphy and Paleobotany of the Cook Inlet Region, Alaska, by Jack A. Wolfe, David M. Hopkins, and Estella B. Leopold. 77 p., 5 figs., 6 tables. Preliminary Geologic Map of Northern Alaska, compiled by Ernest H. Lathram. 2 sheets (1 map, 1 explanation). Scale 1:1,000,000.

CENTENNIAL MEDALLION PROPOSED

House Resolution No. 11 by Representative R.S. McCombe of Chicken, passed in the final days of the recent Legislature, requested the Alaska State Centennial Commission to consider having a special gold medallion

made to commemorate Alaska's approaching 1967 Centennial. The proposal is to purchase newly-mined Alaskan gold at \$50.00 per ounce for the manufacture of the medallions and to sell these medallions for a price that will bring \$65.00 per ounce for the gold contained in each medallion.

This would stir up interest in Alaskan gold mining, would provide a valuable souvenir of the Centennial that people would treasure and which would be collector's items in the future, and would make a profit for the Centennial Commission. It is reported that a San Francisco World Fair gold medallion which sold for \$5.00 is now quoted at nearly \$40.00 and a recent \$12.50 silver medallion commemorating Idaho's Centennial in 1963 is now valued at \$20.00 by collectors.

At its meeting in Ketchikan the Centennial Commission endorsed the plan, which was first suggested to Representative McCombe by "Tiger" Olson, a well-known prospector in southeast Alaska.

E. AND M.J. METAL MARKET PRICES

	<u>April 26,</u> <u>1965</u>	<u>Month Ago</u>	<u>Year Ago</u>
Copper, per lb.	34.¢	34.¢	32.¢
Lead, per lb.	16.¢	16.¢	13.¢
Zinc, per lb.	14.5¢	15.¢	13.5¢
Tin, per lb.	183.35¢	171.5¢	134.75¢
Nickel, per lb.	79.¢	79.¢	79¢
Platinum per oz.	97-100	\$97-100	\$88
Mercury, per flask	510-520	\$475-480	\$263-266
Antimony ore, per unit	7.80-8.50	\$7.80-8.50	7.00-8.20
Beryllium ore, per unit	Not Quoted	Not Quoted	Not Quoted
Chrome ore, per long ton	30-35	\$30-35	Not Quoted
Molybdenum conc., per lb.	\$1.55	\$1.55	\$1.55
Titanium ore, per ton	23-26	\$23-26	\$23-26
Tungsten ore, per unit	17-19	\$18.75-19.25	\$16-18
Silver, New York, per oz.	129.3¢	129.3¢	129.3¢
Silver, U.S. Treasury, per oz.	129.29¢	129.29¢	129.29¢